

# Chapter 11

## Payroll Processing

### Objectives

After completing this chapter, you should be able to:

- Use the Employee Center to view previous Payroll activity (page 334)
- Update your Payroll Tax Tables (page 335)
- Create paychecks and override default calculations (page 335)
- Edit, void, and delete paychecks (page 343)
- Pay Payroll Liabilities (page 346)
- Create Payroll reports (page 349)
- Prepare Payroll tax forms 941, 940, and W-2, as well as reports to help you prepare your state payroll tax returns (page 355)

#### Restore this File

This chapter uses PRProcessing-12.QBW. To open this file, restore the PRProcessing-12.QBM file to your hard disk. See page 8 for instructions on restoring files. If you are using QuickBooks Premier Accountant, we recommend that you toggle to QuickBooks Premier General Business as described on page x.

In this chapter, you'll learn to process your Payroll smoothly using QuickBooks Payroll.

This chapter presents the use of *QuickBooks Standard Payroll*, which helps you create your paychecks by automatically calculating the Payroll taxes on each paycheck.

The exercise file for this chapter is a sample file, a special file that will allow you to interact with the automated Payroll options without requiring a Payroll subscription. All sample files will set the current date to December 15, 2015 while using the sample file (Figure 11-1). You can identify sample files by a warning on the upper right corner of the Home page (Figure 11-2).

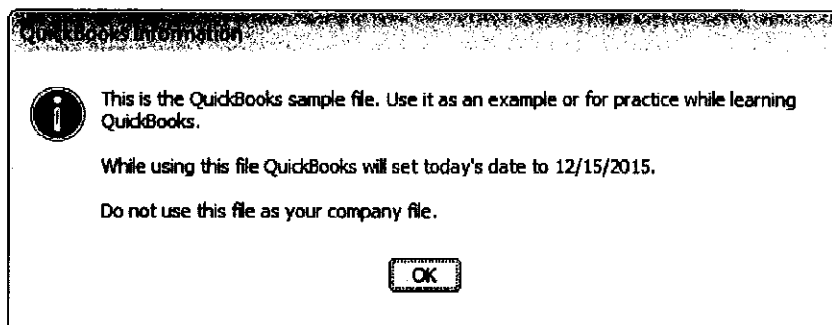


Figure 11-1 Sample File Date Warning

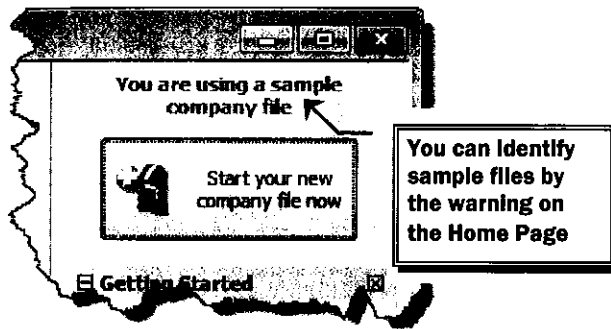


Figure 11-2 Sample File's Home Page

## Payroll Processing Checklists

To keep your Payroll running smoothly and to minimize errors, you should complete the following steps at the prescribed intervals:

### **Every Payday**

- Review the previous Payroll activity in the *Employee Center*.
- Verify that your tax tables are current and update them if necessary.
- Create, review, and correct (if necessary) paychecks.
- Print paychecks and pay stubs.

### **Every Tax Deposit Due Date (monthly or semi-weekly)**

- Create, review, and correct (if necessary) liability payments.
- Print liability payment checks.

### **Every Quarter (after the end of the quarter)**

- Verify the accuracy of all Payroll transactions for the previous quarter.
- Create Payroll reports for the previous quarter and year-to-date.
- Create Payroll tax returns (Federal Form 941 and state quarterly returns).

### **Every January**

- Verify the accuracy of all Payroll transactions for the entire previous year.
- Create Payroll reports for the previous quarter and year-to-date.
- Create Payroll tax returns (Federal Form 941, 940, and state quarterly and yearly returns).

## Using the Employee Center

The *Employee Center* displays a list of all Employees and related transactions such as paychecks, liability checks, and Payroll Liability adjustments. Before processing Payroll each pay period, it is a good idea to open the *Employee Center* and review the latest Payroll activity for each Employee. Doing so will help reduce Payroll processing errors like creating duplicate checks or processing Payroll checks with incorrect data.

To open the *Employee Center*, click the **Employees** icon on the *Icon Bar*, or the **Employees** button on the *Home* page.

## Payroll Center

If you have an active QuickBooks Payroll service subscription, the *Employee Center* will contain an additional *Payroll* tab called the *Payroll Center*. You can use this window to pay Employees, pay taxes and other liabilities, and process Payroll forms (see Figure 11-3).

Employee Center Payroll Center

Enter Time • Print • Client-Ready Payroll Reports • My Payroll Service • Learning Resources •

Employees Transactions Payroll

Subscription Statuses

Sample Account

Free Payroll Support

December - 2015

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

January - 2016

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Switch to After-the-Fact Payroll

Process Payroll by... for Payroll Schedule ...and Pay Period ...With Check Date

12/16/2015	Semi-monthly	12/01/2015 - 12/15/2015	12/16/2015
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Related Payroll Activities • Unscheduled Payroll Start Scheduled Payroll...

Pay Scheduled Liabilities

Due Date	Status	Payment	Method	Period	Amount Due
02/01/16	Upcoming	Federal 941/944	Check	Q4 2015	5,026.30
02/01/16	Upcoming	CA Withholding and Dis...	Check	Q4 2015	1,199.65

Total Selected Items: 0.00

Related Payment Activities • View/Pay

Click Process Payroll Forms to prepare your payroll forms.

Supported Tax Forms

Related Form Activities • Process Payroll Form...

Figure 11-3 Employee Center with active subscription showing Payroll tab

## Payroll Tax Tables

**Key Term:** *Payroll Tax Tables* include the tax rates necessary to calculate an Employee's paycheck. This calculation affects the amounts of taxes that are withheld from an Employee's check (e.g., Federal and state income tax) as well as the amounts of taxes the company must pay for the Employee (e.g., Federal and state unemployment tax). The Payroll Tax Tables also include data that updates the forms that print directly from QuickBooks (i.e., 940, 941, and W-2).

In order for your paychecks to calculate automatically and your forms to print properly, you must have a current Payroll service subscription. Intuit recommends that you connect to their Web site frequently (at least every 45 days) to ensure that you're using the latest tax tables.

## Paying Employees

In the previous chapter, you set up Payroll for Academy Photography. Once the Payroll setup is complete, and you have downloaded the latest tax tables (not required in the sample file for this chapter), you are ready to process Payroll.

## Selecting the Employees to Pay

### COMPUTER PRACTICE

- Step 1. Click **Pay Employees** on the *Home* page. The *Employee Center* opens with the *Payroll* tab selected and the *Pay Employees* section highlighted. (Figure 11-4)
- Step 2. Click the **Start Scheduled Payroll** button.

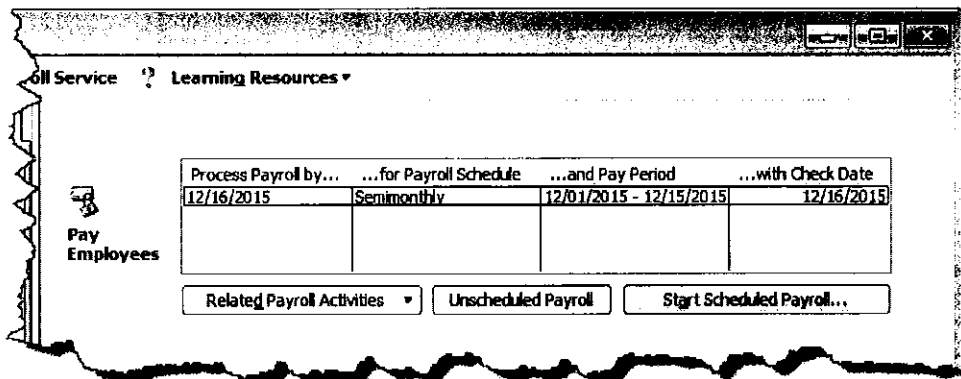


Figure 11-4 Pay Employees Section of Employee Center

- Step 3. The *Enter Payroll Information* window opens (Figure 11-5). Leave the default dates in the *Pay Period Ends* and *Check Date* fields.

The two date fields on this window are very important. The first one indicates the last day of the pay period included on the paychecks, and the second one sets the date of the actual paycheck. Make sure you always verify these dates before creating your paychecks.

#### Important:

The check date on paychecks determines when the Payroll expenses show on all reports. For example, if you pay Employees on the 16<sup>th</sup> of the month for wages earned during the first half of the month, the reports will show the expenses for that Payroll on the 16<sup>th</sup>.

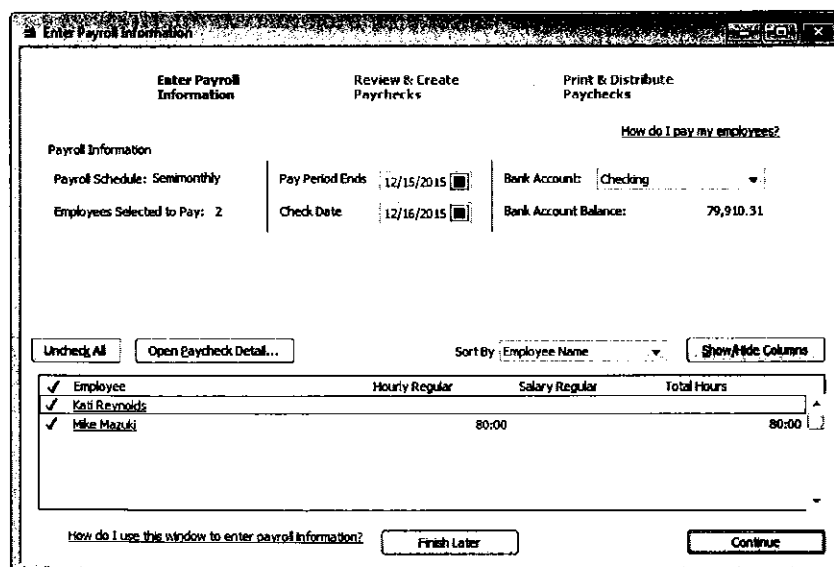


Figure 11-5 Enter Payroll Information window

- Step 4. Click the **Kati Reynolds** link in the list of Employees to open the *Preview Paycheck* window (Figure 11-6). Alternatively you can select **Kati Reynolds** and click **Open Paycheck Detail** button.

The *Preview Paycheck* window displays the automatic deductions that QuickBooks has calculated for the Payroll liabilities based on the tax tables and settings entered in the previous chapter. Kati Reynolds is a salaried Employee and therefore receives *Salary Regular* earnings.

**Kati Reynolds** Pay Period: 12/01/2015 - 12/15/2015

☐ Use Direct Deposit Class: [dropdown]

Item Name	Rate	Hours	WC Code	Customer: Job
Salary Regular	2,500.00			

Totals: 2,500.00 0:00 hrs

Sick Available: 0:00  
Vacation Avail.: 155:15  
☐ Sick Accrued  
Vac. Accrued: 6:45  
☐ Do not accrue sick/vac

Item Name	Rate	Quantity
401k Deduction	-4.0%	
Match 401k	2.0%	
Medical Insurance	-10.00	

How are these items calculated?

Item Name	Amount	YTD
Salary Regular	2,500.00	57,500.00
401k Deduction	-100.00	-2,300.00
Medical Insurance	-10.00	-230.00
Federal Withholding	-229.00	-4,761.00
Social Security Employee	0.00	-3,410.00
Medicare Employee	-36.25	-833.75
CA - Withholding	-115.83	-2,826.01
CA - Disability Employee	-85.00	-690.00

Check Amount: 1,923.92

Company Summary

Item Name	Amount	YTD
Match 401k	50.00	1,150.00
CA - Employee Training Tax	0.00	0.00
Social Security Company	155.00	3,565.00
Medicare Company	36.25	833.75
Federal Unemployment	0.00	56.00

How are these items calculated?

Buttons: Save & Previous, Save & Next, Save & Close, Cancel, Help, ☐ Enter net/Calculate gross

Figure 11-6 Preview paycheck window for Kati Reynolds – your screen may vary

**Note:**

The tax withholdings shown in Figure 11-6 may be different than what you see on your screen. Withholdings are calculated using the tax tables loaded on your computer. Some readers with different tax tables will see differences between their exercise file and the screenshots throughout this chapter.

- Step 5. In the *Earnings* section, add a second line for **Salary Vacation**. Notice that the salary defaults to automatically split evenly between the two lines.
- Step 6. Enter **85** in the *Hours* column for **Salary Regular** on the first line, and **3** in the *Hours* column for **Salary Vacation** on the second line (see Figure 11-7).

With salaried Employees, QuickBooks calculates the total gross pay for the period (annual rate divided by the number of pay periods) and then divides that amount equally into each of the Earnings Items listed in the *Earnings* section. To track sick and vacation hours used, enter the number of hours for each on separate lines in the *Earnings* section. QuickBooks prorates the total salary amount to each line according to the number of hours on that line.

Earnings				
Item Name	Rate	Hours	WC Code	Customer: Job
Salary Regular	2,414.77	85:00		
Salary Vacation	85.23	3:00		
Totals:		2,500.00	88:00 hrs	

Figure 11-7 Earnings section in Preview Paycheck window

Step 7. Confirm that **-4%** in the *Rate* column next to *401k Deduction* and **2%** in the *Rate* column next to *Match 401k* in the *Other Payroll Items* section of the *Preview Paychecks* window (Figure 11-8).

Other Payroll Items		
Item Name	Rate	Quantity
401k Deduction	-4.0%	
Match 401k	2.0%	
Medical Insurance	-10.00	

Figure 11-8 Other Payroll Items in Preview Paycheck window

Step 8. Verify that your screen matches Figure 11-9 (tax items may vary). When finished click **Save & Next**.

**Preview Paycheck**

**Kati Reynolds** Pay Period: 12/01/2015 - 12/15/2015

☐ Use Direct Deposit Class: [v]

Earnings				
Item Name	Rate	Hours	WC Code	Customer: Job
Salary Regular	2,414.77	85:00		
Salary Vacation	85.23	3:00		
Totals:		2,500.00	88:00 hrs	

Sick Available: 0:00  
Vacation Avail.: 152:15  
☐ Sick Accrued  
Vac. Accrued: 6:45  
☐ Do not accrue sick/vac

Other Payroll Items		
Item Name	Rate	Quantity
401k Deduction	-4.0%	
Match 401k	2.0%	
Medical Insurance	-10.00	

Employee Summary		
Item Name	Amount	YTD
Salary Regular	2,414.77	57,414.77
Salary Vacation	85.23	85.23
401k Deduction	-100.00	-2,300.00
Medical Insurance	-10.00	-230.00
Federal Withholding	-229.00	-4,761.00
Social Security Employee	0.00	-3,410.00
Medicare Employee	-36.25	-833.75
CA - Withholding	-115.83	-2,826.01
CA - Disability Employee	-85.00	-690.00
Check Amount:	1,923.92	

Company Summary		
Item Name	Amount	YTD
Match 401k	50.00	1,150.00
CA - Employee Training Tax	0.00	0.00
Social Security Company	155.00	3,565.00
Medicare Company	36.25	833.75
Federal Unemployment	0.00	56.00

How are these items calculated?

Save & Previous Save & Next Save & Close Cancel Help ☐ Enter net/Calculate gross

Figure 11-9 Preview Paychecks window after data entry – tax items on your screen may vary

Step 9. The *Preview Paycheck* window of the other Employee, Mike Mazuki, opens (Figure 11-11).

Step 10. Notice that *Earnings* section is set to *Hourly Regular* and *80* hours. The number of hours is automatically set from the previous paycheck.

**Note:**

If the default setting was set up to *Use Time Data to Create Paychecks* (see page 324), QuickBooks would fill the Earnings section of the paycheck with data entered in the *Weekly Timesheet*. An example is shown in Figure 11-10. You can override any of the information that was automatically copied from the timesheet. However, any changes you make here will not change the original timesheet. If you discover errors at this point, you might want to cancel out of the *Create Paycheck* window, correct the timesheet, and then recreate the paycheck.

Item Name	Rate	Hours	Customer:Job	Class	Service Item
Hourly Regular	24.00	10:00	Garrison, John:Kitchen	San Jose	Design
Hourly Regular	24.00	8:00		San Jose	
Hourly Regular	24.00	36:00	Young, Bill:Window Re...	Walnut Creek	Labor
Hourly Regular	24.00	18:00	Mason, Bob	San Jose	Design
Hourly Regular	24.00	8:00		Walnut Creek	

Figure 11-10 Example Earnings section of the Review Paycheck window including Timesheet data

Step 11. Verify that your window matches Figure 11-11 (tax items may vary) and press the **Save & Close** button.

**Preview Paycheck**

**Mike Mazuki**

Pay Period: 12/01/2015 - 12/15/2015

☐ Use Direct Deposit

**Earnings**

Item Name	Rate	Hours	WC Code	Customer:Job
Hourly Regular	24.00	80:00		

**Totals:** 1,920.00 80:00 hrs

**Other Payroll Items**

Item Name	Rate	Quantity
401k Deduction	-4.0%	
Match 401k	2.0%	
Medical Insurance	-10.00	

**Company Summary**

Item Name	Amount	YTD
Match 401k	38.40	883.20
CA - Employee Training Tax	0.00	0.00
Social Security Company	119.04	2,737.92
Medicare Company	27.84	640.32
Federal Unemployment	0.00	56.00

**Employee Summary**

Item Name	Amount	YTD
Hourly Regular	1,920.00	44,160.00
401k Deduction	-76.80	-1,766.40
Medical Insurance	-10.00	-230.00
Federal Withholding	-145.00	-2,851.00
Social Security Employee	0.00	-2,618.88
Medicare Employee	-27.84	-640.32
CA - Withholding	-62.57	-1,561.21
CA - Disability Employee	-65.28	-529.92

**Check Amount:** 1,532.51

**Buttons:** Save & Previous, Save & [text], Save & Close, Cancel, Help

☐ Enter net/Calculate gross

Figure 11-11 Preview Paycheck window – tax items on your screen may vary

Step 12. Click **Continue** in the *Enter Payroll Information* window. The *Review and Create Paychecks* window appears.

**Review and Create Paychecks**

Enter Payroll Information      **Review & Create Paychecks**      Print & Distribute Paychecks

Payroll Information

Payroll Schedule: Semimonthly      Pay Period Ends: 12/15/2015      Bank Account: Checking

Number of Paychecks: 2      Check Date: 12/16/2015      Bank Account Balance: 79,910.31

Paycheck Options

☒ Print paychecks from QuickBooks      ☐ Assign check numbers to handwritten checks      [How do I pay my employees?](#)

First Check Number: 6057      [Explain Printing Options](#)

[Printing Preferences](#)

[Open Paycheck Detail...](#)

Employee	Gross Pay	Taxes	Deductions	Net Pay	Employer Tax	Contributions	Total Hours	Direct Dep.
Kati Reynolds	2,500.00	-466.08	-110.00	1,923.92	191.25	50.00	88:00	
Mike Mazuli	1,920.00	-300.69	-86.80	1,532.51	146.88	38.40	80:00	
<b>Totals</b>	<b>4,420.00</b>	<b>-766.77</b>	<b>-196.80</b>	<b>3,456.43</b>	<b>338.13</b>	<b>88.40</b>	<b>168:00</b>	

< Back      Finish Later      Create Paychecks

Figure 11-12 Review and Create Paychecks window

Step 13. Click the **Print paychecks from QuickBooks** option under *Paycheck Options*.

Step 14. Verify that your screen matches Figure 11-12 (taxes may vary) and click **Create Paychecks**. The *Confirmation and Next Steps* window appears. Leave this window open for the next exercise.

## Printing Paychecks

When you're finished creating all of the paychecks, QuickBooks displays the *Confirmation and Next Steps* window (Figure 11-13). From this window, you can print paychecks or print pay stubs. The next exercise prints paychecks.

**Confirmation and Next Steps**

Enter Payroll Information      Review & Create Paychecks      **Print & Distribute Paychecks**

You have successfully created 2 paychecks:  
2 for handwritten checks  
0 for Direct Deposit      [Learn more](#)

Next Steps:

1) Print your paychecks or pay stubs.  
        [Explain](#)

2) Distribute the paychecks to your employees.

☐ Do not advance the dates of this payroll schedule in the Payroll Center

Figure 11-13 Confirmation and Next Steps window



**COMPUTER PRACTICE**

Step 1. Click the Print Paychecks button on the *Confirmation and Next Steps* window.

**Another Way:**

If you want to print the checks after you have left the *Confirmation and Next Steps* window, select the **File** menu, select **Print Forms**, and then select **Paychecks**.

Step 2. Enter **6057** in the *First Check Number* field (see Figure 11-14). Click **OK**.

Bank Account: Checking First Check Number: 6057

Select Paychecks to print, then click OK.  
There are 2 Paychecks to print for \$3,456.43.

✓	Date	Employee	Amount
✓	12/16/2015	Kati Reynolds	1,923.92
✓	12/16/2015	Mike Mazuki	1,532.51

Buttons: OK, Cancel, Help, Select All, Select None, Preferences

Show: ☒ Both ☐ Paychecks ☐ Direct Deposit

Company Message to be printed on all paystubs:

Figure 11-14 Select the paychecks to be printed.

Step 3. In the *Print Checks* window, QuickBooks lets you know that there are two checks to print and gives the total amount of those checks (see Figure 11-15).

You can also select the check style in the *Print Checks* window. Select **Voucher** as your choice of check style. When you use voucher checks, QuickBooks prints the paystub information on the voucher portion of the checks.

**Note:**

For this class you'll print on blank paper instead of real checks. When you're printing on real checks, make sure to load the checks into the printer before you click **Print**.

**Tip:**

It's best to use voucher checks for Payroll. Make sure your checks are oriented correctly in the printer. With some printers, you feed the top of the page in first, and for others you feed the bottom in first. With some printers, you need to insert the check face up, and with others, you insert it face down.

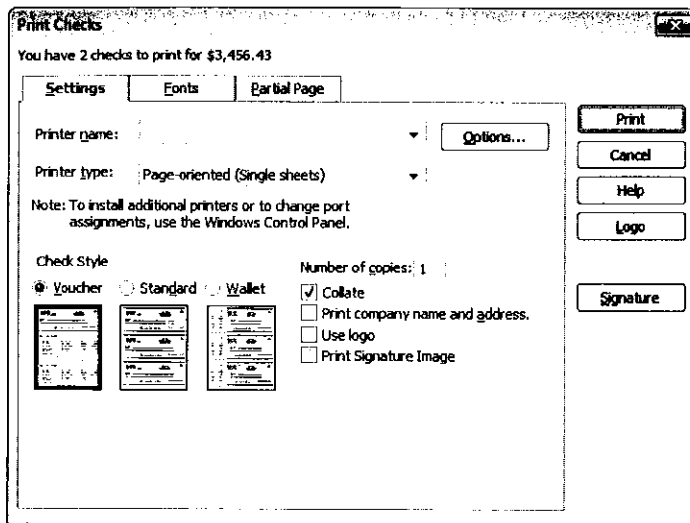


Figure 11-15 Print Checks window

The paycheck and voucher pay stubs for Mike Mazuki are shown as printed on blank paper in Figure 11-16.

**Pay Period:** 12/01/2015 - 12/15/2015

**Employee:** Mike Mazuki  
123 Hillsboro Lane  
Walnut Creek, CA 94589

**Pay Period:** 12/01/2015 - 12/15/2015

Employee	City	State	Current	YTD Amount
Mike Mazuki	Walnut Creek	CA	1,532.51	41,750.00
<b>Earnings and Deductions</b>				
Hourly Wages	20.00	24.00	480.00	41,750.00
<b>Deductions from Gross</b>				
401K Deduction			-75.00	-1,750.00
<b>Taxes</b>				
Federal Withholding			-145.00	-2,851.00
State County Employee			3.00	2,410.88
Medicare Employee			-27.54	-460.31
CA - Withholding			-42.57	-1,561.21
CA - Social Security			-85.26	-214.22
CA - Social Security			-201.05	-8,201.13
<b>Adjustments to Net Pay</b>				
Medical Insurance			-15.00	-230.00
<b>Net Pay</b>			1,532.51	33,962.27
<b>Paid Time Off</b>				
<b>Total</b>				33,962.27
<b>Variance</b>				155.15

Figure 11-16 Mike Mazuki's paycheck

- Step 4. Verify the printer settings and then click **OK**. Click **OK** on the *Print Checks - Confirmation* message.
- Step 5. Click **Close** on the *Confirmation and Next Steps* window.

## Printing Pay Stubs

If you don't print checks from QuickBooks, you can still print pay stubs for your Employees on blank paper.

### Note:

You can print pay stubs at any time, even after you have printed the paychecks.

**COMPUTER PRACTICE**

- Step 1. Select the **File** menu, then select **Print Forms**, and then select **Pay Stubs** (see Figure 11-17).
- Step 2. Leave the default date of **12/14/2015** for the beginning date and **3/13/16** for the thru date for the pay stubs to print. Paychecks dated in the date range you specify will show in the list.

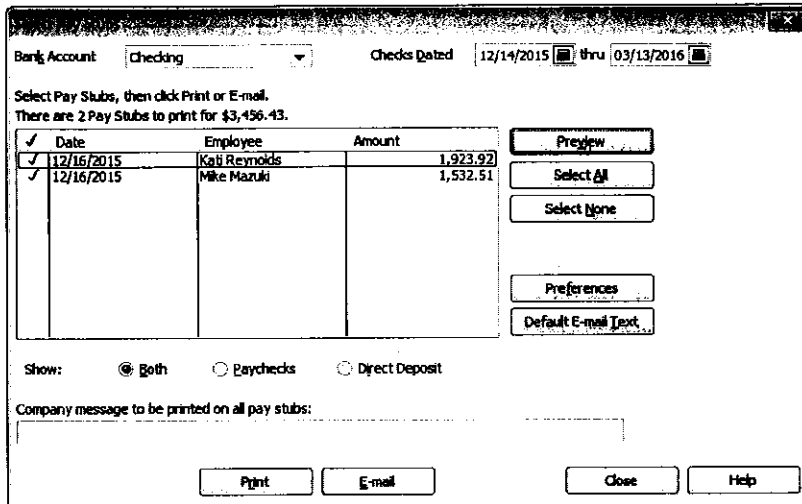


Figure 11-17 Select Pay Stubs window

- Step 3. Click **Preview** to see what the pay stubs look like when they print (see Figure 11-18). QuickBooks prints one pay stub per page.

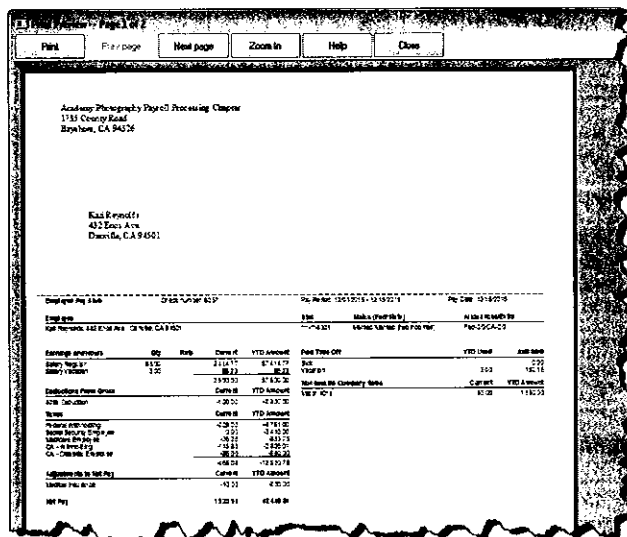


Figure 11-18 Print Preview of a pay stub

- Step 4. After previewing the pay stub, click **Close** to print the pay stubs. If you wished to print, you could print the pay stub from the preview window.

**Editing Paychecks**

If you find errors on paychecks, you can edit, void, or delete the paychecks. However, be careful when you do any of these actions because changing transactions may adversely affect your records. When in doubt, ask your accountant.

**Note:**

If you edit a paycheck that you have already printed, make sure your changes don't affect the net pay amount. Also, if this Employee has other paychecks dated after this check, the changes you make may invalidate the tax calculations on the newer checks. It's best to avoid editing, voiding, or deleting any paycheck except the most recent paycheck for each Employee. If you're unsure about any adjustments you need to make, check with your accountant.

It's not considered good accounting practice to edit paychecks after they've been printed and sent to the Employee. However, it is possible to edit paychecks in QuickBooks, even after they've been printed. Editing paychecks should only be done if you haven't sent the paycheck to the employee.

**COMPUTER PRACTICE**

Step 1. From the *Payroll Center*, select the **Related Payroll Activities** button. Select **Edit or Void Paychecks** from the drop down menu.

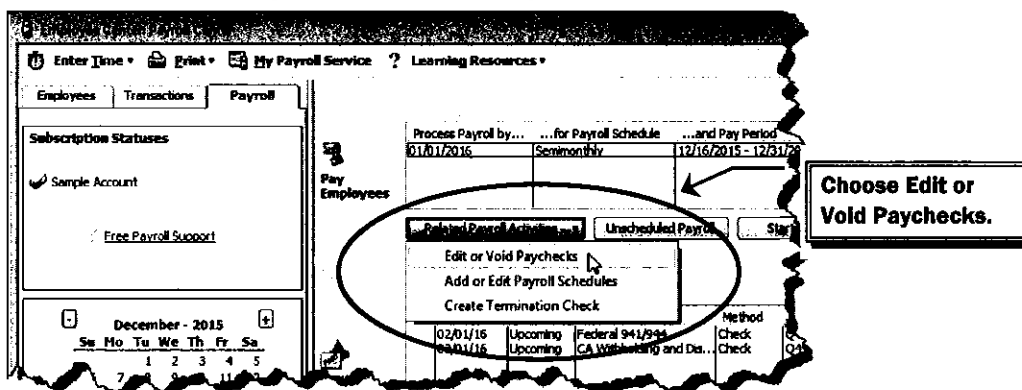


Figure 11-19 Edit Paychecks in the Payroll Center

Step 2. Set the *Show paychecks dates from* to **12/01/2015** and the *through* date to **12/31/2015**. Then press **Tab** (see Figure 11-20).

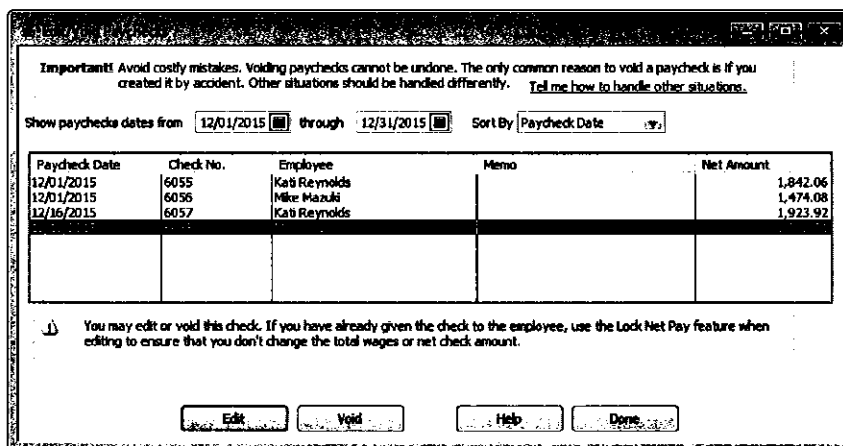


Figure 11-20 Edit/Void Paychecks window

Step 3. Press **Tab** to leave **Paycheck Date** in the *Sort By* field.

Step 4. Highlight **Mike Mazuki's** paycheck dated **12/16/2015** and then click **Edit** (see Figure 11-20).

Bank Account:  Ending Balance: 76,453.88

No. 6058 Date: 12/16/2015 \$ 1,532.51

Pay to the Order of Mike Mazuki

One thousand five hundred thirty-two and 51/100\*\*\*\*\* Dollars

Address: Mike Mazuki  
123 Hillboro Lane  
Walnut Creek, CA 94569

Memo:

Order Checks

☐ To be printed

Paycheck Summary

Earnings	1,920.00	Pay Period	12/01/2015 - 12/15/2015
Additions	0.00	Hours Worked	80:00
Taxes	-300.69		
Deductions	-66.80		

Paycheck Detail... Save & Close Revert

To edit the detail of the paycheck, click the **Paycheck Detail** button.

Figure 11-21 Click Paycheck Detail to edit the Items on the paycheck

Step 5. To edit the Items on the paycheck, click **Paycheck Detail** (see Figure 11-21).

Mike Mazuki

Pay Period: 12/01/2015 - 12/15/2015

☐ Use Direct Deposit Class: San Jose

Job:  Sick Available: 69:00  
Vacation Avail: 155:15  
Sick Accrued: 3:00  
Vac. Accrued: 6:45  
☐ Do not accrue sick/vac

Totals: 1,920.00 80:00 hrs

Other Payroll Items

Item Name	Rate	Quantity
401k Deduction	-4.0%	
Match 401k	2.0%	
Medical Insurance	-10.00	

Company Summary

Item Name	Amount	YTD
Match 401k	38.40	883.20
CA - Employee Training Tax	0.00	0.00
Social Security Company	119.04	2,737.92
Medicare Company	27.84	640.32
Federal Unemployment	0.00	56.00

Employee Summary

Item Name	Amount	YTD
Hourly Regular	1,920.00	44,160.00
401k Deduction	-76.80	-1,766.40
Medical Insurance	-10.00	-230.00
Federal Withholding	-145.00	-2,851.00
Social Security Employee	0.00	-2,618.88
Medicare Employee	-27.84	-640.32
CA - Withholding	-62.57	-1,561.21
CA - Disability Employee	-65.28	-529.92

Check Amount: 1,532.51

OK Cancel Help

☒ Lock Net Pay ☐ Unlock Net Pay ☐ Enter net/Calculate gross

Figure 11-22 Any of the fields with a white background can be edited.

Step 6. Change the **Class** field in the upper right corner to the **San Jose** class.

**Note:**

You can edit only the fields with a white background on the *Review Paycheck* window. To edit the year-to-date amounts, use the *Adjust Liabilities* window, or override the amounts on a future paycheck for this Employee.

Step 7. Click **Cancel** and then click **Save & Close** to leave the check unchanged. Click **Done** to leave the *Edit/Void Paychecks* window.

**Another Way:**

You can also edit a paycheck by double-clicking on the paycheck in the checking account register and then continue from Step 5 above.

## Paying Payroll Liabilities

Paying your Payroll liabilities correctly is a critical part of maintaining accurate Payroll information in QuickBooks.

When you pay the liabilities, don't use the *Write Checks* window because doing so won't affect the *Payroll Items*. It also won't show the liability payments on tax forms 940 or 941. To correctly pay your Payroll liabilities, use the *Pay Liabilities* section of the *Payroll Center* window.

**The accounting behind the scenes:**

You must use the *Pay Liabilities* feature to record liability payments. Payroll Liability payments decrease (debit) the Payroll liability accounts in addition to reducing the balance due for the Payroll Items. If you don't use the *Pay Liabilities* feature, QuickBooks won't track your payments in the liabilities reports or tax forms such as the 941.

**Note:**

The IRS publication, *Circular E, Employer's Tax Guide*, specifies the rules for when your Payroll taxes must be paid. Depending on the size of your Payroll, you will be either a "Monthly" depositor or a "Semi-weekly" depositor. Monthly depositors are required to pay all Payroll Liabilities by the 15<sup>th</sup> of the month following the Payroll date. Semi-weekly depositors are required to pay all Payroll liabilities by the Wednesday after the Payroll date if the Payroll date is Wednesday, Thursday, or Friday, and are required to pay all Payroll liabilities by the Friday after the Payroll date if the Payroll date is Saturday, Sunday, Monday, or Tuesday.

**COMPUTER PRACTICE**

- Step 1. Click the **Pay Liabilities** button on the *Home* page. The *Payroll Center* opens with the *Pay Scheduled Liabilities* section highlighted.
- Step 2. Place checkmarks next to the two Liabilities due on 02/01/2016 (Figure 11-23).

The screenshot shows the 'Payroll Center' window. On the left, there's a 'Subscription Statuses' section with a 'Sample Account' and a 'Free Payroll Support' link. Below that is a calendar for December 2015 and January 2016. The main area on the right has tabs for 'Employees', 'Transactions', and 'Payroll'. Under 'Payroll', there's a 'Process Payroll by...' section with a table showing payroll schedules. Below that is a 'Related Payroll Activities' section with buttons for 'Unscheduled Payroll' and 'Start Scheduled Payroll...'. A 'Pay Scheduled Liabilities' section shows a table of liabilities with columns for Due Date, Status, Payment, Method, Period, and Amount Due. The total selected items is 7,330.85. At the bottom, there's a 'File Tax Forms' section with a 'Process Payroll Forms...' button.

Figure 11-23 Payroll Center

Step 3. Click the **View/Pay** button.

Step 4. The first of two *Liability Payment – Checking* windows opens with the fields entered to pay the EFTPS for accumulated Payroll Liabilities (Figure 11-24).

The screenshot shows the 'Liability Payment – Checking' window. At the top, it says 'Payment 1 of 2' and 'Print'. Below that, there's a 'Bank Account' dropdown set to 'Checking' and an 'Ending Balance' of 76,453.88. The main section is a check form with 'Pay to the Order of EFTPS' and a date of 12/15/2015. The amount is \$5,802.52. Below the check form, there's a 'Memo' field with '00-7904153'. At the bottom, there's a 'Period' of 10/01/15 - 12/31/15 and a 'How do I e-pay?' section with 'E-payment' selected. A table shows the breakdown of payroll liabilities: Federal Withholding (\$2,019.00), Medicare Company (\$384.54), Medicare Employee (\$384.54), and Social Security Company (\$1,644.24). The total is \$5,802.52. At the bottom, there are buttons for 'Recalculate', 'Save & Close', 'Save & Next', and 'Cancel'.

Figure 11-24 Reviewing the liability check before saving

**Note:**

QuickBooks allows you to modify the amounts in the *Amount* column of the *Pay Liabilities* window but you should avoid this if possible. Discrepancies here indicate incorrect Payroll calculations or misapplication of prior liability payments. These situations should be corrected at the Payroll Item or transaction level to avoid repetition of the same errors in the future. Instead, if you need to make a small change to the amount you're paying (e.g., adjust for rounding), enter an adjustment on the liability check using the *Expenses* tab. If you consistently have trouble in this area, contact your accountant or QuickBooks Pro Advisor for help.

- Step 5. Click **Save & Next**. The second *Liabilities Payment – Checking* window opens.
- Step 6. Click **Save & Close**. The *Payment Summary* window opens.
- Step 7. Close the *Payment Summary* window.

**Liability Payment - Checking**

Payment 2 of 2 Print

Bank Account: Checking Ending Balance: 70,651.36

---

Pay to the Order of: Employment Development Department No. To Print:   
 Date: 12/15/2015 \$ 1,528.33

One thousand five hundred twenty-eight and 33/100\*\*\*\*\* Dollars

Address: Employment Development Departm  
P.O. Box 123456  
Sacramento CA 94280

Memo: 987-6543-2

---

Period: 10/01/15 - 12/31/15 How do I e-pay? E-payment ☒ Check

Expenses: \$0.00 Payroll Liabilities: \$1,528.33 ☒ To be printed

Payroll Item	Amount	Memo	Class
CA - Withholding	1,134.95		
CA - Disability Employee	393.38		

Recalculate Save & Close Save & Next Cancel

Figure 11-25 Employment Development Department Liability Payment window

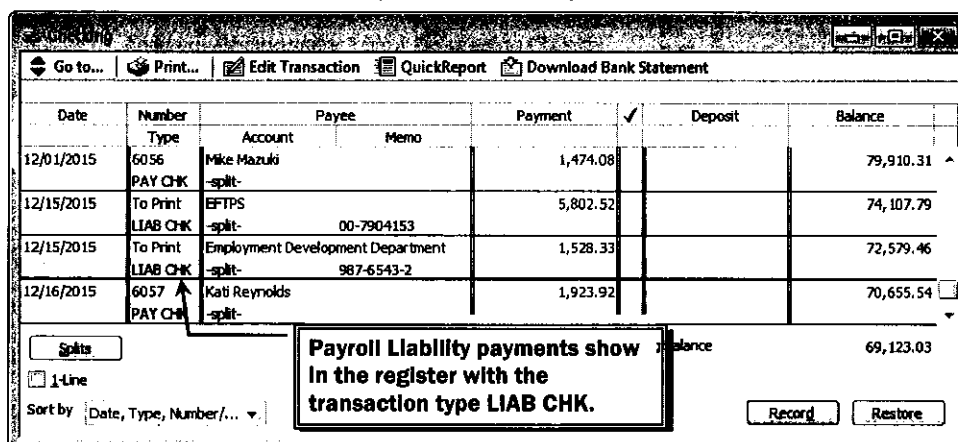


**Tip for correcting Payroll liabilities:**

If you find an error in the amount that QuickBooks suggests you owe, it could be for several reasons. For example, if your state unemployment rate has changed in this period, the amount due may still be calculating at the old rate. In this case, the Payroll Item needs to be corrected and a *Liability Adjustment* could be made to correct the period in question. Another reason *Pay Liabilities* accruals may appear wrong is that prior payments were not made through *Pay Liabilities* or were dated incorrectly in the *Payment for Payroll liabilities through* field. In this case, the payments may need to be created with the improper payments voided. Finally, you could check each paycheck to see which one created the error. When you find the erroneous paycheck or paychecks, modify the Payroll Items on the paycheck. Of course, if you've already printed the paycheck, you should never make adjustments affecting net pay. Instead, use the *Adjust Liabilities* function, or make an adjustment on the next check for the affected Employees.

- Step 8. Display the **Checking** account register by double-clicking it in the *Chart of Accounts* list.

Notice the transaction type is *LIAB CHK*, as shown in Figure 11-26 (you may have to scroll to see it). The *LIAB CHK* transaction is the only type of transaction that properly records payment of Payroll liabilities. That's because *LIAB CHK* transactions record the details of which Payroll liabilities and Payroll Items are paid by that check and the date they are relieved. Any other type of payment can't lower the balance due shown on the *Payroll Liabilities Report*.



Date	Number	Payee	Memo	Payment	✓	Deposit	Balance
12/01/2015	6056	Mike Mazuli		1,474.08			79,910.31
	PAY CHK	-split-					
12/15/2015	To Print	EFTPS		5,802.52			74,107.79
	LIAB CHK	-split- 00-7904153					
12/15/2015	To Print	Employment Development Department		1,528.33			72,579.46
	LIAB CHK	-split- 987-6543-2					
12/16/2015	6057	Kati Reynolds		1,923.92			70,655.54
	PAY CHK	-split-					
							69,123.03

Payroll Liability payments show in the register with the transaction type LIAB CHK.

Figure 11-26 A Payroll liability payment in the Check Register

**Note:**

If this is the first time you record a liability payment after setting up your data file, there will probably be balances due for Federal and State Payroll taxes on your start date that do not show in the *Pay Liabilities* window.

## Creating Payroll Reports

### Payroll Summary Report

There are several reports that you can use to analyze your Payroll. The *Payroll Summary Report* shows the detail of each Employee's earnings, taxes, and net pay.

**COMPUTER PRACTICE**

- Step 1. Select the **Reports** menu, then select **Employees & Payroll**, and then select **Payroll Summary**.
- Step 2. Leave the date range *From 10/01/2015 to 12/15/2015* and press **Tab**.

**Academy Photography Payroll Processing Chapter**  
**Payroll Summary**  
 October 1 through December 15, 2015

Customize Report | Share Template | Memoize | Print | E-mail | Excel | Hide Header | Refresh

Dates: This Calendar Quarter-to-DATE From: 10/01/2015 To: 12/15/2015 Columns: Employee

	Hours	Rate	Oct 1 - Dec 15, 15	Hours	Rate	Oct 1 - Dec 15, 15	Hours	Rate
<b>Employee Wages, Taxes and Adjustments</b>								
<b>Gross Pay</b>								
Salary Regular			12,500.00		0.00			12,500.00
Hourly Regular		0.00	400	24.00	9,600.00	400		9,600.00
<b>Total Gross Pay</b>			12,500.00	400	9,600.00	400		22,100.00
<b>Deductions from Gross Pay</b>								
401k Deduction			-500.00		-384.00			-884.00
<b>Total Deductions from Gross Pay</b>			-500.00		-384.00			-884.00
<b>Adjusted Gross Pay</b>			12,000.00	400	9,216.00	400		21,216.00
<b>Taxes Withheld</b>								
Federal Withholding			-1,030.00		-615.00			-1,645.00
Medicare Employee			-181.25		-139.20			-320.45
Social Security Employee			-775.00		-595.20			-1,370.20
CA - Withholding			-615.95		-340.60			-956.55
CA - Disability Employee			-137.50		-105.00			-242.50
<b>Total Taxes Withheld</b>			-2,739.70		-1,795.60			-4,535.30
<b>Deductions from Net Pay</b>								
Medical Insurance			-50.00		-50.00			-100.00
<b>Total Deductions from Net Pay</b>			-50.00		-50.00			-100.00
<b>Net Pay</b>			9,210.30	400	7,370.40	400		16,580.70
<b>Employer Taxes and Contributions</b>								
Federal Unemployment			0.00		0.00			0.00
Medicare Company			181.25		139.20			320.45
Social Security Company			775.00		595.20			1,370.20
CA - Unemployment Company			0.00		0.00			0.00
Match 401k			250.00		192.00			442.00
CA - Employee Training Tax			0.00		0.00			0.00
<b>Total Employer Taxes and Contributions</b>			1,206.25		926.40			2,132.65

To modify the columns on this report, click **Modify Report**.

Figure 11-27 Payroll Summary Report

The *Payroll Summary Report* (see Figure 11-27) shows columns for each Employee, along with their hours and rates of pay. If you want to see more Employees on a page, you can customize this report not to show the *Hours* and *Rate* columns.

- Step 3. Click **Customize Report** at the top of the *Payroll Summary* report.
- Step 4. Clear the **Hours** and **Rate** boxes and then click **OK** (see Figure 11-28).

**Display** | Filters | Header/Footer | Fonts & Numbers

Report Date Range

Dates: This Calendar Quarter-to-date | From the first day of the current quarter through today

From: 10/01/2015 | To: 12/15/2015

Columns

Display columns by: Employee | across the top.

Add subcolumns for

☐ Previous Period   ☐ Previous Year   ☐ Year-To-Date   ☐ % of Row   ☐ % of Column

☐ \$ Change   ☐ % Change   ☐ % of YTD   ☐ Hours   ☐ Rate

Advanced...   Revert

OK   Cancel   Help

To see more Employees on the Payroll Summary by Employee report, customize the report and clear the Hours and Rate boxes.

Figure 11-28 The Modify Report window

Step 5. Your report will now look like Figure 11-29. To print the report, click **Print** (or press **Ctrl+P**).

	Kati Reynolds	Mike Mazuki	TOTAL
<b>Employee Wages, Taxes and Adjustments</b>			
Gross Pay			
Salary Regular	12,500.00	0.00	12,500.00
Hourly Regular	0.00	9,600.00	9,600.00
<b>Total Gross Pay</b>	<b>12,500.00</b>	<b>9,600.00</b>	<b>22,100.00</b>
<b>Deductions from Gross Pay</b>			
401k Deduction	-500.00	-384.00	-884.00
<b>Total Deductions from Gross Pay</b>	<b>-500.00</b>	<b>-384.00</b>	<b>-884.00</b>
<b>Adjusted Gross Pay</b>	<b>12,000.00</b>	<b>9,216.00</b>	<b>21,216.00</b>
<b>Taxes Withheld</b>			
Federal Withholding	-1,030.00	-615.00	-1,645.00
Medicare Employee	-181.25	-139.20	-320.45
Social Security Employee	-775.00	-595.20	-1,370.20
CA - Withholding	-615.95	-340.60	-956.55
CA - Disability Employee	-137.50	-105.60	-243.10
<b>Total Taxes Withheld</b>	<b>-2,739.70</b>	<b>-1,795.60</b>	<b>-4,535.30</b>
<b>Deductions from Net Pay</b>			
Medical Insurance	-50.00	-50.00	-100.00
<b>Total Deductions from Net Pay</b>	<b>-50.00</b>	<b>-50.00</b>	<b>-100.00</b>
<b>Net Pay</b>	<b>9,210.30</b>	<b>7,370.40</b>	<b>16,580.70</b>
<b>Employer Taxes and Contributions</b>			
Federal Unemployment	0.00	0.00	0.00
Medicare Company	181.25	139.20	320.45
Social Security Company	775.00	595.20	1,370.20
CA - Unemployment Company	0.00	0.00	0.00
Match 401k	250.00	192.00	442.00
CA - Employee Training Tax	0.00	0.00	0.00
<b>Total Employer Taxes and Contributions</b>	<b>1,206.25</b>	<b>926.40</b>	<b>2,132.65</b>

Figure 11-29 Payroll Summary Report without hours and rates

## Sales Rep Commissions

If you pay commissions to your Employees, you can create a *Sales by Rep Summary* or *Sales by Rep Detail* report to help calculate the commissions due.

### COMPUTER PRACTICE

- Step 1. Select the **Reports** menu, then select **Sales**, and then select **Sales by Rep Summary** (see Figure 11-30).
- Step 2. Leave the date range *From 12/01/2015 To 12/15/2015* and then press TAB.

#### Important:

The *Sales by Rep Summary* or *Detail* report requires you to first tag each sale with the Employee who gets credit. To set this up, modify your *Invoice* and *Sales Receipts* template to include the *Rep* field. In the *Rep* field on each sales form, make sure you enter the initials of the Employee who gets credit for the sale. The *Sales by Rep* report will show the total sales for each sales rep.

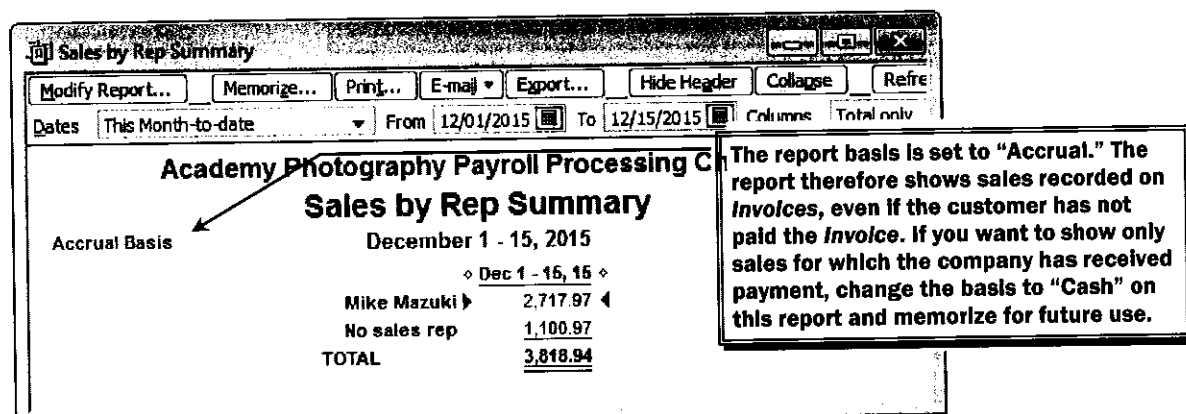


Figure 11-30 Sales by Rep Summary report

## Payroll Liabilities Report

The *Payroll Liabilities Report* is used to track the status of your Payroll liabilities by Payroll Item.

### COMPUTER PRACTICE

- Step 1. From the **Reports** menu, select **Employees & Payroll**, and then select **Payroll Liability Balances**.

#### Did You Know?

QuickBooks Payroll does not offer state forms for its Standard Payroll service. Even with the Enhanced Payroll service, not all state forms are supported. See <http://www.quickbooks.com/taxforms> for supported state forms.

- Step 2. Leave the *From* date to *01/01/2015* and the *To* date to *11/30/2015*. Then press Tab (see Figure 11-31).

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	BALANCE
<b>Payroll Liabilities</b>												
Federal Withholding	329.00	658.00	-987.00	658.00	658.00	-1,316.00	658.00	658.00	-1,316.00	658.00	658.00	1,316.00
Medicare Employee	64.09	128.18	-192.27	128.18	128.18	-256.36	128.18	128.18	-256.36	128.18	128.18	256.36
Social Security Employee	274.04	548.08	-822.12	548.08	548.08	-1,096.16	548.08	548.08	-1,096.16	548.08	548.08	1,096.16
Federal Unemployment	35.36	66.72	-102.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Medicare Company	64.09	128.18	-192.27	128.18	128.18	-256.36	128.18	128.18	-256.36	128.18	128.18	256.36
Social Security Company	274.04	548.08	-822.12	548.08	548.08	-1,096.16	548.08	548.08	-1,096.16	548.08	548.08	1,096.16
CA - Withholding	191.31	382.62	-573.93	382.62	382.62	-765.24	382.62	382.62	-765.24	382.62	382.62	765.24
CA - Disability Employee	48.62	97.24	-145.86	97.24	97.24	-194.48	97.24	97.24	-194.48	97.24	97.24	194.48
CA - Unemployment Company	232.05	437.85	-669.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CA - Employee Training Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
401k Deduction	176.80	353.60	353.60	353.60	353.60	353.60	353.60	353.60	353.60	353.60	353.60	3,712.80
Match 401k	88.40	176.80	176.80	176.80	176.80	176.80	176.80	176.80	176.80	176.80	176.80	1,856.40
<b>Total Payroll Liabilities</b>	<b>1,777.80</b>	<b>3,526.36</b>	<b>-3,977.15</b>	<b>3,020.78</b>	<b>3,020.78</b>	<b>-4,460.36</b>	<b>3,020.78</b>	<b>3,020.78</b>	<b>-4,460.36</b>	<b>3,020.78</b>	<b>3,020.78</b>	<b>10,549.96</b>

Figure 11-31 Payroll Liabilities report

**Note:**

The *To* date field at the top of the Payroll Liabilities report is very important. It tells QuickBooks to report on liabilities for wages paid through that date. Even if liabilities have been paid after the *To* date, the balances in the report reflect the payments. For example, even if you paid February's Federal liabilities in March, the report above would show zero balances for the Federal liabilities in the Feb 15 column (note that the number 15 refers to the year). Therefore, this report really shows your unpaid liabilities for paychecks created before the *To* date.

**Step 3.** If you want to see the total unpaid balances only, select **Total only** from the *Columns* drop-down list. See Figure 11-32.

**Tip:**

If you are a semi-weekly depositor, select **Week** from the *Columns* drop-down list. The report will then provide a breakdown of your Payroll liabilities by week instead of by month.

	BALANCE
<b>Payroll Liabilities</b>	
Federal Withholding	1,316.00
Medicare Employee	256.36
Social Security Employee	1,096.16
Federal Unemployment	0.00
Medicare Company	256.36
Social Security Company	1,096.16
CA - Withholding	765.24
CA - Disability Employee	194.48
CA - Unemployment Company	0.00
CA - Employee Training Tax	0.00
401k Deduction	3,712.80
Match 401k	1,856.40
<b>Total Payroll Liabilities</b>	<b>10,549.96</b>

By setting the columns to "Total only" here, you can print a report showing just the total balance for each Payroll liability item.

Figure 11-32 Payroll Liabilities report showing total unpaid accruals only

**COMPUTER PRACTICE**

You can filter the report to show only certain liabilities. For example, if you only want to see the Federal liabilities, follow these steps:

**Step 1.** Click **Customize Report** and then click the **Filters** tab (see Figure 11-33).

- Step 2. Scroll down the *Filter* list on the left side of the window and then select **Payroll Item**.
- Step 3. Select **All Federal** from the *Payroll Item* drop-down list in the center of the window (see Figure 11-33).

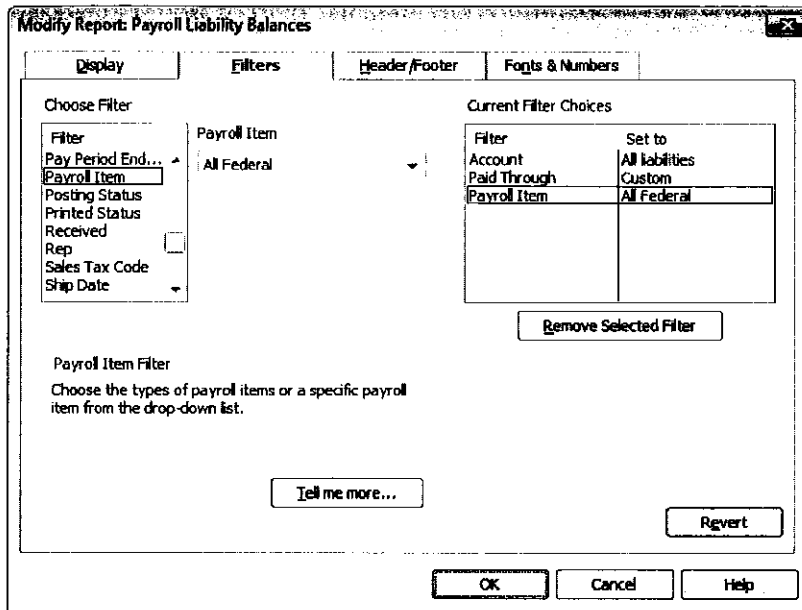


Figure 11-33 Payroll Item filter for all Federal Items

To give the report a new title to match the filtered content of the report, follow these steps:

- Step 1. Click the **Header/Footer** tab.
- Step 2. Enter **Federal Payroll Liability** in the *Report Title* field and then click **OK** (see Figure 11-34).

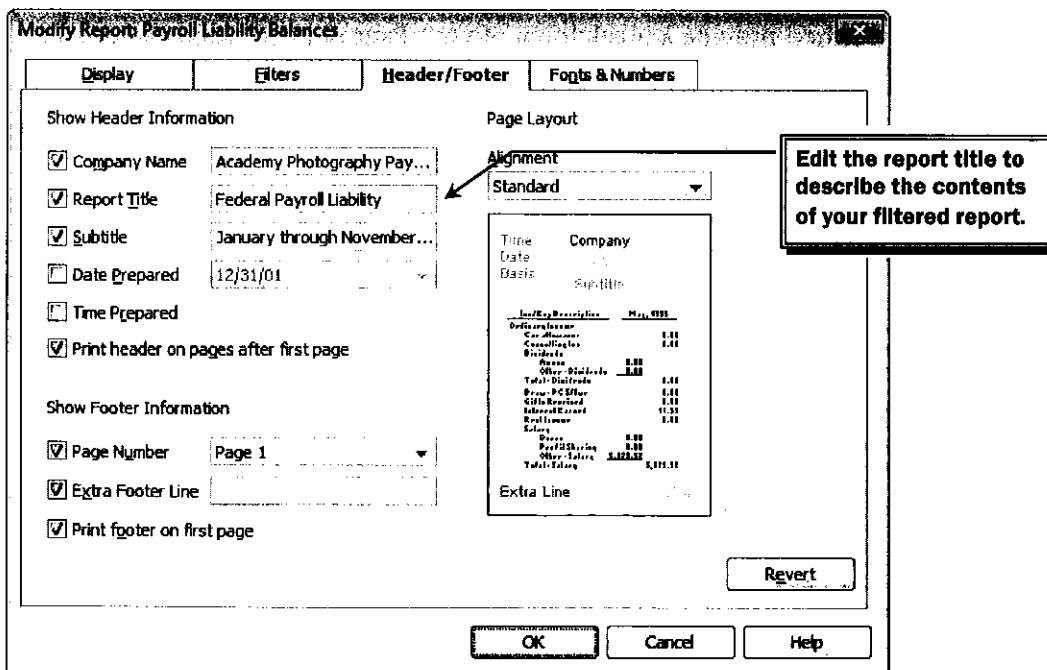


Figure 11-34 The Report Title field allows you to enter a new title

- Step 3. Verify that the *Columns* field shows **Total only**.
- Step 4. Close the report.

Academy Photography Payroll Processing Chapter	
Federal Payroll Liability	
January through November 2015	
◊ BALANCE ◊	
<b>Payroll Liabilities</b>	
Federal Withholding	1,316.00
Medicare Employee	256.36
Social Security Employee	1,096.16
Federal Unemployment	0.00
Medicare Company	256.36
Social Security Company	1,096.16
<b>Total Payroll Liabilities</b>	<b>4,021.04</b>

Figure 11-35 Custom Report called "Federal Payroll Liabilities."

## Preparing Payroll Taxes

Paying Payroll taxes is an important part of Payroll processing. In the following section, examples are shown for processing Form 941, Form 940, and W-2s as well as local and state Payroll taxes. The following examples use the sample file used in the Payroll Processing chapter.

### Tip:

If you signed up for one of the QuickBooks Payroll Services, upgrade your tax tables before processing Forms 941, 940, or W-2s. Any necessary changes to the forms may be included in the most recent tax tables. You will not need to update your tax tables to complete the exercises in the sample file.

### Tip:

Be sure to use the *Pay Liabilities* window to create your tax payments prior to creating your Quarterly and Annual Payroll Forms. The 941 will use these payments for the *Deposits made* calculation. The 940 form computes your Federal Unemployment Tax based on the 940 contributions, your State Unemployment liabilities, and payments made throughout the year (if applicable). All of the Payroll tax forms calculate automatically using the information on paychecks and Payroll Liability payments.

## Processing Form 941 and Schedule B

To prepare the Federal quarterly Payroll tax return (Form 941), follow these steps:

**DON'T PERFORM THESE STEPS NOW. THEY ARE FOR REFERENCE ONLY.**

1. From the *Home* page, select the **Process Payroll Forms** icon.
2. In the *Select Form Type* window, the **Federal form** radio button is already selected. If we were subscribed to the QuickBooks Enhanced Payroll service, the **State form** radio button would be available as well (see Figure 11-36). Click **OK**.

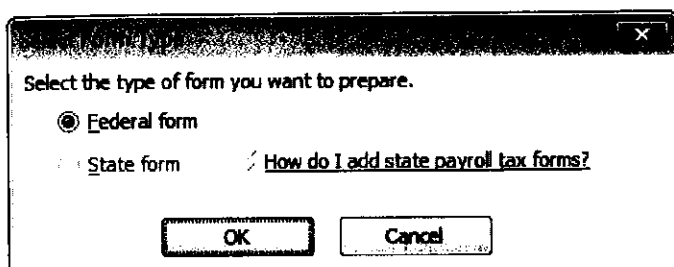


Figure 11-36 Select Form Type window

3. Select **Quarterly Form 941/Sch. B – Employer's Quarterly Federal Tax Return** in the *Choose a form you want to use:* section of the *Select Payroll Form* window (see Figure 11-37).
4. Select **Last Calendar Quarter** in the *Select Filing Period* section and set the **Quarter Ending** date to the desired date. Click **OK**.

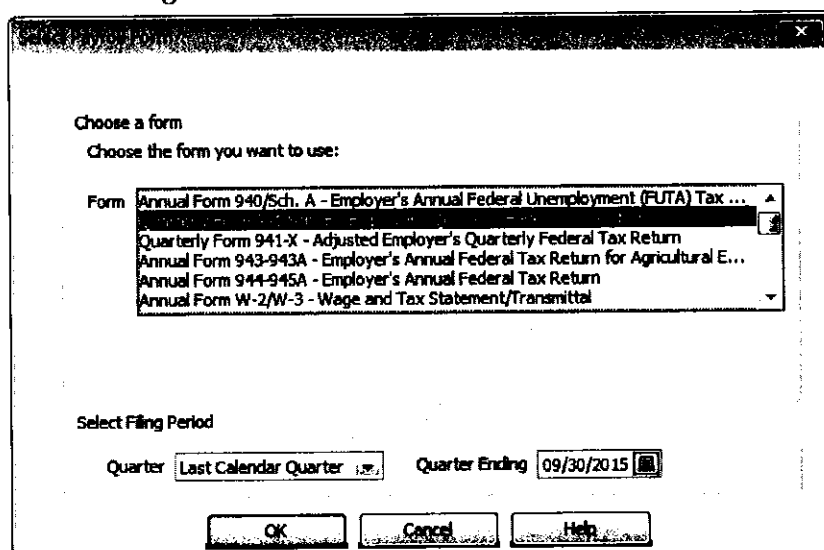


Figure 11-37 Select Payroll Form window

5. A *Warning* window appears prompting you to download the most recent tax tables. Click **OK**.
6. QuickBooks opens the *Payroll Tax Form* window titled *Interview for your Form 941/Schedule B* (see Figure 11-38).
7. Read the entire instructions and check the boxes that refer to your own company. Click **Next** when finished.



Figure 11-38 Payroll Tax Form

**Note:**

Normally companies with large tax obligations use Schedule B to report their tax liability on a more frequent basis. To determine if your company needs to file a Schedule B, consult your accountant or *Circular E, the Employer's Tax Guide*, (available on the IRS website at [www.irs.gov](http://www.irs.gov)).

8. QuickBook displays Form 941 (see Figure 11-39). Most of the data on the form was taken from your QuickBooks file. You can override some fields by right-clicking on them (such as the name and address fields). When finished, click the **Next** button at the bottom of the window.

Figure 11-39 Form 941

**Note:**

Observant readers will notice that the Form 941 in Figure 11-40 is for the tax year 2011, while the data is from the the tax year 2015. Forms for the tax year 2015 were unavailable at the time of this writing.

9. *Page 2* is displayed (see Figure 11-40). Verify that your information is correct and click **Next** at the bottom of the screen.

Payroll Tax Form

00-7904153 Page 2

**Part 2 – Tell Us About Your Deposit Schedule and Tax Liability for this Quarter**

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Publication 15 (Circular E), section 11.

16 Select the state abbreviation for the state where you made your deposits OR enter 'MU' if you made your deposits in multiple states. CA

17 Check one:

☐ Line 10 on this return is less than \$2,500 or line 10 on the return for the preceding quarter was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. If you meet the *de minimis* exception based on the prior quarter and line 10 for the current quarter is \$100,000 or more, you must provide a record of your federal tax liability. If you

View details about this form View filing and printing instructions

Save and Close Save as PDF... Print for Your Records... Check for Errors Submit Form...

☒ Automatically create an archive when I e-file or print

Figure 11-40 Payroll Tax Form, Page 2

10. Figure 11-41 shows the filing and printing instructions for Form 941. From this screen, you can submit the form, print, or save as a PDF using the buttons at the bottom of the screen. Click **Save and Close**.

Payroll Tax Form

**Filing and Printing Instructions** FEDERAL QUARTERLY FORM 941/SCHEDULE B

Name

Address  
1735 County Road

City, State, and ZIP Code  
Bayshore, CA 94326

**INSTRUCTIONS FOR MAILING YOUR PAYROLL TAX RETURN**

Please mail your return to the following address by 11/02/2015:

Back to form

Save and Close Save as PDF... Print for Your Records... Check for Errors Submit Form...

☒ Automatically create an archive when I e-file or print

**Click Print for Your Records when you want to print out Form 941.**

Figure 11-41 Filing and printing instructions for Form 941

11. The *Next Steps* window appears (see Figure 11-42). Read the information in the *Next Steps* window and click **OK**.

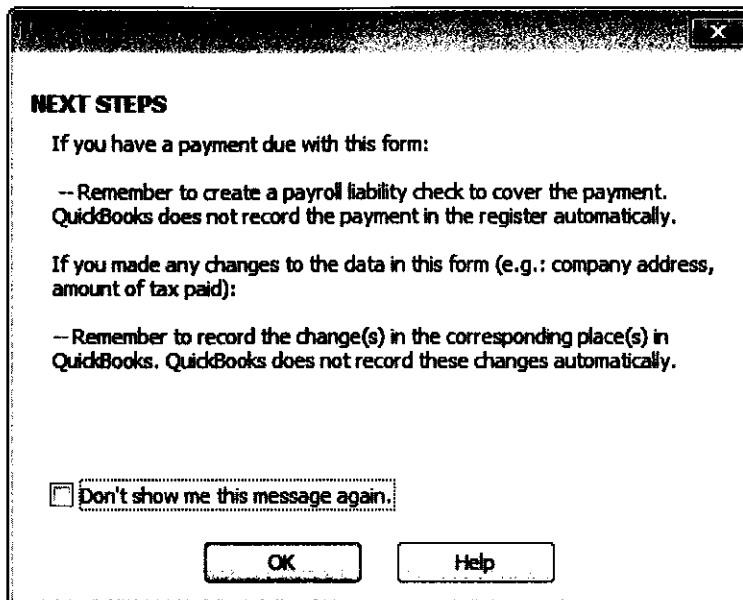


Figure 11-42 Next Steps window

QuickBooks saves your Form 941 and Schedule B as drafts. To review the tax forms again, repeat Steps 1 through 5 and click the **Open Draft** button in the *Saved Draft* window when it appears (see Figure 11-43).

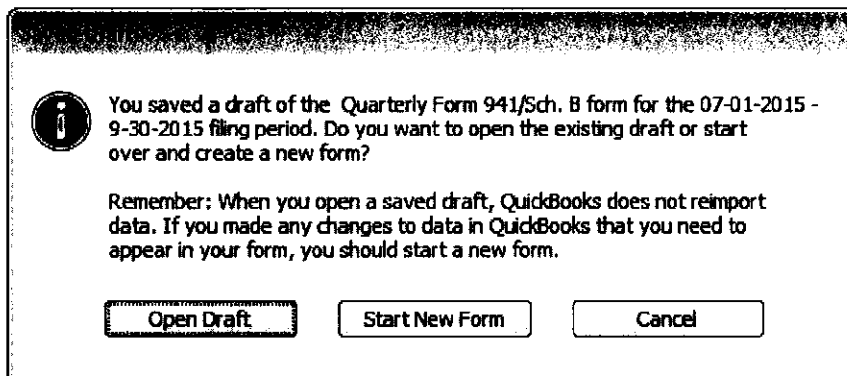


Figure 11-43 Saved Draft window

## Processing Form 940

QuickBooks prepares Form 940 which is used to report the annual FUTA tax. The process for creating Form 940 is nearly the same as for Form 941. The IRS requires that you pay Form 940 taxes separately than the Form 941 taxes. You'll also print Form 940 on blank paper suitable for filing with the IRS.

**DON'T PERFORM THESE STEPS NOW. THEY ARE FOR REFERENCE ONLY.**

1. From the *Home* page select **Process Payroll Forms**.
2. The **Federal** form radio button is already selected. Click **OK**.
3. Select **Annual Form 940/Sch. A – Employer's Annual Federal Unemployment (FUTA) Tax Return** in the *Choose a form you want to use:* section of the *Select Payroll Form* window (see Figure 11-44). Enter the correct year in the *Year* box and click **OK**.

Figure 11-44 Select Payroll Form window for Form 940-EZ

4. A *Payroll Tax Form* window opens with the *Interview for your Form 940/Schedule A and 940-V* displayed (Figure 11-45). Review the information and enter any necessary changes. Click **Next** to advance through the next screens, reviewing the information entered by QuickBooks.

Figure 11-45 Interview for your Form 940/Schedule A and 940-V

5. After reviewing, you can submit the form, save for PDF or print for your records. Click **Save and Close**. Click **OK** when the *Next Steps* window appears.

## Processing W-2s

**DON'T PERFORM THESE STEPS NOW. THEY ARE FOR REFERENCE ONLY.**

1. From the *Home* page, select **Process Payroll Forms**.
2. The **Federal** form radio button is already selected. Click **OK**.
3. QuickBooks displays the window shown in Figure 11-46. Select **Annual Form W-2/W-3 – Wage Tax Statement**.
4. Select **All Employees** from the *Process W-2s for* field.
5. Enter the correct year in the *Year* box and click **OK**.

Choose a form

Choose the form you want to use:

Form: Annual Form 940/Sch. A - Employer's Annual Federal Unemployment (FUTA) Tax ...  
Quarterly Form 941/Sch. B - Employer's Quarterly Federal Tax Return  
Quarterly Form 941-X - Adjusted Employer's Quarterly Federal Tax Return  
Annual Form 943-943A - Employer's Annual Federal Tax Return for Agricultural E...  
Annual Form 944-945A - Employer's Annual Federal Tax Return  
Annual Form 945-945B - Wage and Tax Statement Transmittal

Process W-2s for: ☒ All Employees (2 Employees) Which option should I choose?  
☐ Employee's Last Name - From:  To:

Select Filing Period

Year: 2015

OK Cancel Help

Figure 11-46 Select Payroll Form window

6. QuickBooks displays the *Select Employees for W-2/W-3* window, as shown in Figure 11-47. Select **Review/Edit** to review the W-2s.

Employees with last names A through Z (2 of 2 employees) Help

Employee	SSN	Reviewed?	Printed?
<input checked="" type="checkbox"/> Mazuki, Mike	111-22-3333	No	No
<input checked="" type="checkbox"/> Reynolds, Kati	333-22-4321	No	No

Unmark All Review/Edit Print/E-file... Cancel

Figure 11-47 Select Employees for Form W-2/W-3 window

**Note:**

In order for W-2s to print properly, make sure you've entered the full name and address of each Employee, and that you've properly set up the year-to-date information on your Payroll Setup date. Also, you must enter all paychecks in QuickBooks Payroll in order for the W-2s to be correct.

7. QuickBooks displays *Forms W-2 and W-3 Interview* steps in the *Payroll Tax Form* window (see Figure 11-48). Click **Next** and review the following screens.

Figure 11-48 Step 1 - Forms W-2 and W-3 Interview Welcome screen

8. In the final screen you are given the option to submit, save as a PDF, or print. Click **Save and Close**.
9. Click **OK** when the *Next Steps* window appears.

## Review Questions

Select the best answer(s) for each of the following:

1. To properly affect the Payroll Items, which function (from the *Employee* section of the *Home* page) should you use to pay the Payroll taxes?
  - a) *Write Checks*
  - b) *Pay Bills*
  - c) *Pay Employees*
  - d) *Pay Liabilities*
2. Voucher style checks, when used for processing Payroll, may contain:
  - a) Earnings and tax withholdings
  - b) Adjustments to earnings
  - c) Federal filing status
  - d) All of the above
3. The Payroll Liability Balances Report identifies:
  - a) Liability payments made during the payment period
  - b) Liability amounts by Payroll Item
  - c) Liabilities for Employee deductions only
  - d) Liabilities for employer taxes only
4. The Payroll tax return that reports Social Security, Medicare, and Federal Income Tax is submitted quarterly on:
  - a) Form 940
  - b) Form 941
  - c) Form W-2
  - d) *Payroll Liabilities Report*
5. To begin processing your Payroll:

- a) Select **Write Checks** from the *Home* page
- b) Select the *Employees* menu and then select **Pay Scheduled Liabilities**
- c) Select the *Payroll* menu and then select **Process Payroll**
- d) Choose **Pay Employees** from the *Employees* section of the *Home* page

## Payroll Processing Problem 1

### APPLYING YOUR KNOWLEDGE

Restore the PRProcessing-11Problem1.QBM file.

1. Process paychecks for both Kati Reynolds and Mike Mazuki with the information shown below. Create printable paychecks, dated 01/01/2016 drawn on the Checking bank account for the Payroll period ending on 12/31/2015.

### Kati Reynolds' paycheck

Field	Data
Check Date	01/01/2016
Pay Period	12/16/2015 through 12/31/2015
Earnings	Salary Regular, 64 hours Salary Vacation, 16 hours
Other Payroll Items (Deductions)	401k Employee, -4% Match 401k, 2% Medical Insurance, -\$10

Table 11-1 Kati Reynolds's paycheck

### Mike Mazuki's paycheck

Field	Data
Check Date	01/01/2016
Pay Period	12/16/2015 through 12/31/2015
Earnings	72 hours – Hourly Regular 8 hours – Hourly Vacation
Other Payroll Items (Deductions)	401k Employee, -4% Match 401k, 2% Medical Insurance, -\$10

Table 11-2 Mike Mazuki's paycheck

2. Print both paychecks on blank paper. Use voucher checks for the format of the printed checks. Assign the checks to number 6059 and 6060.
3. On 1/4/2016, pay all liabilities due on 02/01/2016. Print the Payroll liability checks on blank paper, beginning with check number 6061.
4. Print a *Payroll Summary Report* for 10/01/2015 through 01/01/2016. Do not show the *Hours* or *Rate*.

5. Print a *Payroll Liability Balances Report* for 9/1/2015 through 01/01/2016.